“Wakefit Innovations Limited Q1 FY ‘27 Earnings Conference Call”

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E&OE - This transcript has been edited for grammatical and other transcribing errors. In case of discrepancies, the audio recordings uploaded on the stock exchange on August 07, 2026 will prevail.

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Moderator: Ladies and gentlemen, good day and welcome to the Wakefit Innovations Ltd Q1 FY27 Earnings Conference Call hosted by 360 ONE Capital Market Pvt Ltd.

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As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Akhil Parekh. Thank you and over to you, sir.

Akhil Parekh: Yes, thanks Anushka. Good morning. On behalf of 360 ONE Capital, I welcome you all to Wakefit Innovations 1Q FY27 Conference Call.

We have with us the Management Team of Wakefit represented by Today from the Management, we have with us Mr. Ankit Garg – Chairman, CEO and Executive Director; Mr. Chaitanya Ramalingegowda – Executive Director; and Ms. Parul Gupta – Chief Financial Officer.

Without taking much time, I will hand over the call to Ankit for his opening remarks post which we will open the floor for Q&A session. Over to you, Ankit.

Ankit Garg: Okay. Thank you so much for the introduction. Good morning, everybody. A warm welcome to all of you and thank you for joining our 1Q FY27 Earnings Call.

On this call, we are joined by Chaitanya – Executive Director, Parul, our CFO, Strategic Growth Advisor, and Investor Relations Advisor. The Results and the Presentations are uploaded on the Stock Exchange and company website. I hope everybody has a chance to look at them.

A quick glimpse of it:

We entered Q1 FY27 with encouraging momentum supported by healthy demand during the quarter, revenue from operations for Q1 FY27 increased 16.6% year-on-year to Rs. 404.9 crores, EBITDA grew 25.2% year-on-year to Rs. 56 crores with an EBITDA margin of 13.9%. Profit after tax for the quarter increased 19.2% year-on-year to Rs. 23.3 crores.

Coming to our category-wise performance:

Our business continues to be anchored across three core categories, Mattress, Furniture, and Furnishing.

Mattress contributing 65.9%, about 66% for Q1 FY27 revenue with a healthy 27.3% year-on-year growth. Furniture contributed to about 28% of revenue during the quarter and Furnishing contributed remaining 6.3% of revenue.

Our Mattress category continues to be a key growth driver for the company. Wakefit offers a wide range of mattresses to our customers across almost every major segment of the organized market, from memory foam and hybrid mattresses to orthopedic premium and smart sleep solutions. This comprehensive portfolio enables us to cater to evolving customer needs across different types of segments while reinforcing our leadership in the organized mattress market.

We also see a significant opportunity in our Furniture and Furnishing category. These categories expand our addressable market while enabling us to offer customers a more comprehensive home solutions portfolio. This is a long-term opportunity where we are working on addressing in the coming years as our network matures further.

Before I conclude, I would like to sincerely thank our employees for this unwavering commitment, passion, and dedication. Their relentless efforts focused on execution continue to be the driving force behind Wakefit's growth and success.

As we enter the next phase of our journey, I am confident that together we will continue to build stronger businesses, create greater value for our stakeholders, and deliver on our long-term vision.

Now with this, I would hand over to Chaitanya – Executive Director to explain more.

C. Ramalingegowda: Thank you, Ankit, for the introduction and good morning, everyone.

During the quarter, the operating environment remained dynamic with the volatility in key raw material prices that were driven by geopolitical developments in the Middle East, particularly across the main inputs such as polyol and TDI that are used in foam making. This disruption impacted unorganized sector much more adversely because organized companies like ours have a raw material management and inventory build-up capacity and planning and relationships with our suppliers that we were able to protect supply to our end consumers on our D2C platforms.

To protect margins, calibrated pricing actions were also taken as we had explained even in the last quarter. The full impact of increased raw material cost will reflect in overall H1 FY27.

On the operational front, we made strong progress on our physical retail footprint. We added nearly 27 new COCO stores, company-owned, company-operated, taking our total network to 165 stores across 100 cities as of June 30th.

We remain on track to achieve our target of adding about 80 company-owned, company-operated stores during FY27. To put this into perspective, we added 42 COCO stores during the entire FY26. MBOs, which also complement our COCO channels in identifying how fertile an offline market is, it's very asset-light and grew to about 2250 outlets across 701 cities.

As a result of our continuous expansion efforts, retail revenue during the quarter grew 20.5% YoY. Further, our own channels contributed 72.3% of total revenue, with revenue from these channels growing 20.5% YoY. Our external channels contributed 27.7% of total revenue and delivered 7.6% YoY revenue growth.

Interestingly, we are increasingly seeing seamless engagement across our online and offline channels. During Q1 FY27, online channels contributed 52.7% of revenue, while offline channels contributed 47.3% of the revenue. This reflects the strength of the integrated, omni-channel model where customers can research anywhere and buy anywhere.

Customers these days discover products online before purchasing in-store or experience our products in-store before completing their purchase digitally. We believe our physical and digital channels complement each other with every new store, enhancing brand visibility, building customer trends and driving demand across both channels in those geographies. This pattern resonates with our COCO expansion strategy, reinforcing our omni-channel flywheel.

Wakefit is well positioned as a single-brand, multi-channel brand to gain a significant pie of the overall Home Category.

I would like to now hand over to Parul Gupta – our CFO, to give insights on financial performance.

Parul Gupta: Thank you, Chaitanya.

Let me now take you all through our financial performance for Quarter 1 of Financial Year 2027:

Revenue from operations for the quarter stood at Rs. 405 crore, registering a healthy 16.6% YoY growth. Gross profit for the quarter stood at Rs. 231 crore, up 19.4% YoY, with gross margin improving to 57.1% in Quarter 1 FY27, from 55.8% in the corresponding quarter last year.

Reported EBITDA, excluding other income, stood at Rs. 56 crore, reflecting a 25.2% YoY growth, with the EBITDA margin improving to 13.9%. Operating EBITDA for the quarter stood at Rs. 37 crore, registering a 50% YoY increase, with the operating EBITDA margin expanding to 9.1%.

Our advertisements and marketing investments remained consistent with the previous quarter and in line with our earlier guidance, at 7.6% of the revenue from operations.

The ESOP expense for the quarter stood at Rs. 6 million. Profit before tax before exceptional items, stood at Rs. 36.3 crore, registering a robust 85% YoY growth, with the PBT margin improving to 9.0%, from 5.7% in the corresponding quarter last year.

Tax expense for the quarter includes a deferred tax charge of Rs. 7.3 crore, primarily on account of reversal of the timing differences arising from depreciation and provision in the normal course of business, along with the partial unwinding of the deferred tax asset recognized on the carry-forward losses as the company continues to generate taxable profits. This compares with a deferred tax income of Rs. 98 crore in the preceding quarter, which included a higher one-time recognition of the DTA on carry-forward losses and timing differences.

Excluding these deferred tax movements, PAT for the quarter stood at Rs. 30.7 crore, which is 7.6% of the operating revenue, which is up by 0.7% quarter-on-quarter and 1.9% YoY reflecting the underlying operating performance of the business. Profit after tax stood at Rs. 23 crore, registering a 19.2% YoY increase.

Looking ahead, we expect to incur a capital expenditure of around Rs. 100 to Rs. 120 crore in FY27, with nearly 80% of our investment directed towards expanding our retail footprint, particularly the rollout of our Jumbo store format. The remaining 20% will be invested in the manufacturing automation and other regular business upgrades to further strengthen operational efficiency and support our long-term goals.

With this, we open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Siddhartha Bera from Nomura. Please proceed.

Siddhartha Bera: Hi sir, thanks for the opportunity. Sir, first question is on the growth. So, on the mattress side, we have clearly seen a good acceleration in the growth momentum. If you can probably highlight what is the volume and value growth in the quarter? And second is, on the other hand, in furniture, we also have seen a bit of deceleration. So, how should we think about furniture growth for the year? Should it be in the similar range or do you see a scope of acceleration going ahead in the furniture side as well?

C. Ramalingegowda: Sure, thanks Siddhartha. After all the growth that has come over, about two-thirds can be attributed to volume growth and about one-third can be attributed to the price increases that we took because of the Middle East and West Asia crisis. So, that means even for mattress, there has been a healthy volume growth driven by store expansion in more and more geographies, SSSG, as well as improved uptake in the online marketplaces as well as on our D2C platform. So, mattress has come back on track. It has always been our mainstay that enables us to build a flywheel.

On the furniture side, last quarter we did mention that there were two reasons for slowdown in furniture. Reason number one was specific machine breakdown, workforce shortage due to elections, etc. And then a build-up of promised delivery date which reduced the conversion rate. The second reason was the fact that we have not added more furniture-first stores to our store network. If you remember, this was a conscious call to improve the unit economics of the furniture category as well as the whole company to take a pause to focus only on the existing store SSSG and focus on furniture growth through jumbo stores that are coming up in the next year.

So, the furniture category team is fully focused on completing catalog, visual merchandise and design for those stores which will give a massive step-jump for the overall furniture category. These were the two reasons. So, we should get back to mid-teens to late-teens furniture category growth over the next two quarters steadily. But it will not probably go to 30% that was there last year because of these two conscious reasons. But it will see a step-jump of more than 25%-30% when we open up the jumbo stores.

Siddhartha Bera: And in terms of commodity cost inflation, are we seeing any further cost escalation in the second quarter or most of it has come in the numbers? And if there is more inflation, do you need more price hikes to offset that? How should one think about the cost and price hikes?

C. Ramalingegowda: Initially, when the crisis started, the price increases were because everybody increased the prices, all the suppliers increased the prices, as well as the logistics itself became very expensive. However, today the conflict reappearing its head up on and off once in a few weeks given both of these reasons. But given our long relationships with these suppliers and Ankit's background in this industry, we have been able to handle it in a way that we always have some form of supply so that disruption does not come to the business. But we have to wait and watch every few weeks.

Siddhartha Bera: Thanks a lot. I will come back to the queue.

Moderator: Thank you. We take the next question from the line of Navin from iThought PMS. Please proceed.

Navin: Good morning. Thank you for taking my question. I just wanted to understand one thing regarding mattresses. My first point would be, yes, you have taken price hikes this quarter, but the one third that you mentioned that was driven by pricing mix, was there any benefit for us by people upgrading and buying higher ASP products? In conjunction to this question, I just want to understand how do you see market traction for higher ASP mattresses online? I am talking about Rs. 15,000 to Rs. 25,000 mattresses online. Is there an uptick for it?

C. Ramalingegowda: So, the price increases have not driven premiumization. Our premium products come with a different value proposition of longer warranty period, higher density of the material, etc. So, that was always present. And historically also, we have seen that that category is less sensitive to price increases. So, it has neither crazily increased the premium uptick, nor has it impacted negatively. That has continued to chug along

Navin: I think there is a small misunderstanding. Essentially, our headline ASP has seen a benefit of basically price mix change. So, we have taken price hikes. I just wanted to understand if the headline ASP number was also driven by overall mix of customers moving towards the premium side. So, that's what I meant.

C. Ramalingegowda: Yes, short answer is the premiumization percentage is very similar to what it was always there. A small, maybe about 20% to 30% increase has happened in the premium category's share of sales in mattresses.

Navin: Got it.

C. Ramalingegowda: Second part of your question. For the 25,000 plus category mattresses, offline is our mainstay. Customers usually research very deeply online. They come with very specific questions. But transactions mostly happen at our company-owned, company-operated stores.

Navin: Got it. And would you be able to briefly quantify this? Maybe this much% of your premium mattress sales happens offline versus online any broad numbers?

C. Ramalingegowda: Yes, I think if you look at the offline channel mattresses, nearly half of it will be, close to half of it will be premium. When you look at it at a company level, that would reduce to about 15% to 20%.

Navin: I see. Got it. Yes, my next question is going to be on the lower end of the mattress segment. So, I have been hearing a lot about this product called a Mattress Topper and how that's becoming a better way to enhance the experience with a lower cost mattress versus a naturally cheaper mattress. Do you see some more traction for this product category or more competition from this product category for the lower ASP mattresses, the Rs. 2,000, Rs. 3,000 mattresses?

C. Ramalingegowda: So, Mattress Toppers have been around in the developed markets for long, but they have never caught on massive traction. Even in India, this product has been around for the last 8 to 9 years and Wakefit is an 11-year-old company. So, the main problems are twofold. Problem number one is a Mattress Topper comes with elastic on the four sides that can be stuck onto the mattress. So, that means when you toss and turn or when you move or when you sit on it, it moves along with you. So, it's not a comfortable experience.

While it is a cheap way to provide some kind of softer comfort, the problem also is that opening price point mattresses these days are available for 5,000-odd rupees, single size. So, the difference isn't too much and hence there has not been a massive uptake of toppers in India. Some people have even tried premium toppers where they are putting up latex or memory foam premium toppers, but that also was a non-starter because those who want that premium feel will go for a direct latex or memory foam full mattress.

Navin: Got it. So, one more question will be on just customer thoughts, small question so do you see more people, like online versus offline, coming to purchase a single item, be it furniture or mattress or are there more people who are coming who just freshly moved or who want a basket of items? So, which kind of purchaser is the majority for us?

C. Ramalingegowda: Our average units per transaction which is per cart is somewhere close to two products per cart. That essentially means irrespective of what intent they came in with, the advantage of Wakefit having multi-category play and not just a single mattress focused business is the fact that we are able to cross-sell as well as up-sell. So, people who might come for a mattress end up invariably buying bed sheets, pillows, etc. People who come for sofas invariably end up buying a coffee table or a side table. So, that is the advantage of a flywheel and hence nearly 36% of our revenue comes from repeat customers as well as the cross-category, cross-sell is very, very high.

Moderator: Sorry to interrupt, Mr. Navin, I would request you to join back the queue as there are several participants waiting for their turn.

Navin: Yes, apologies, I will come back in the queue. Thanks a lot.

Moderator: Yes, thank you so much. We take the next question from the line of Harish Advani from Axis Capital. Please proceed.

Harish Advani: Hi, thank you for the opportunity and congrats on a great set of numbers. My first question was on the mattresses side. So, while you did mention that this quarter the growth construct was two-third volume and one-third price, how was the same kind of break-up last quarter?

Parul Gupta: It will be a very nominal Harish because the first price hike happened only in the last week of March. So, it wouldn't have impacted more than 5% of the overall revenue in the last quarter.

Harish Advani: Perfect, perfect. So, that volume trajectory is remaining strong. That was what I was trying to get at.

Parul Gupta: Yes.

Harish Advani: And how is this kind of trending into the July and August months as we move now into Q2?

C. Ramalingegowda: In June, we have started the quarter by taking a small price cut but with a very, very nominal price cut as the price is normalized for raw materials. But then we have remained at a similar price range as of now. So, mostly the growth till now, at least has been volume driven. If something changes in the last month or so of this quarter, we will have to update you next time.

Harish Advani: Perfect sir, perfect. And similarly on that train of thought so how is the competitive intensity on the matrices side? So, are we seeing traditional brands increasing their digital spends, or are we seeing some of the organized furniture players expanding more towards the online side or are there any competitors who are significantly more aggressive than they were last year?

C. Ramalingegowda: No, there is nobody that is more significantly aggressive than last year, but the intensity comes and goes in the mattresses category in waves. So, every time somebody raises capital or every time somebody has a new brand, we see a short burst of increased ad spends increased store openings etc. until it stabilizes and we realize that it is not a sustainable strategy.

So, we have seen 3 or 4 such waves in the last 11 years. As of now, it has remained stable. There has been no new entrants that have come in but whoever was competitive investing in store openings, investing in marketplace growth or advertising, in the last 6-7 months, the same companies are doing it even now.

So, that is the reason we ramped up our A&P spends from 5%-odd to 7.5% and we are holding steady on that ensuring that every rupee is spent on very focused ROI driven marketing channels.

Harish Advani: Thank you. My final question is on the external channels. So, after last 2 quarters of anywhere between 15%-20% decline, we managed to see a high single digit kind of a growth up there. So, can you tell us what initiatives you have taken to turn this around?

C. Ramalingegowda: Firstly, these relationships with the external marketplaces go through their own cycle when which marketplace is focusing on profitability, which marketplace is focusing on growth in that year as per their company's business plan. So, that goes through ups and downs and hence from the beginning, we have always focused on own channel increase. But having said that the last quarter specifically was very good because all of the major platforms were focused on growth. All of the major platforms worked very well with their online partners such as us, and we also enjoy a long relationship where we form a large part of their category and hence that gave us and there was also a small sale event all of which added together gave us good results. Even in July, there was a sale event in the online marketplaces which should reflect positively in this quarter's results.

Harish Advani: Perfect, sir. Thank you. Those were my questions and all the best. Thank you.

Moderator: Thank you. We take the next question from the line of Rakshit Desai from IIFL Capital. Please proceed.

Rakshit Desai: Hi, sir. Congratulations on a good set of numbers. My question was on inventory. So, currently how many months of low-cost inventory do we still have on hand and when should we expect the full impact of our higher input cost to flow to the P&L?

C. Ramalingegowda: We do have about 3-4 weeks of raw material that is parked with us based on different types of raw materials. However, some minimal part of impact has already been seen observed in the Q1 that we have said. Some more part of it will come in Q2 and that is the reason in our commentary also we have said that H1 should see the full impact come and go. If something worse doesn't happen in the Middle East, things should again start to improve in the OND quarter.

Rakshit Desai: Understood, sir. Thank you.

Moderator: Thank you. We take the next question from the line of Ritesh Shah from Investec. Please proceed.

Ritesh Shah: Hi, thanks for the opportunity. Congratulations for a good set of numbers. A few questions first is it did indicate that we have taken a modest price cut starting in July. If we have to just reflect on the quarter gone by, specifically on the gross margins, we have done amazingly well both sequentially and also on a year-on-year basis. Just trying to understand what has been the thought process like was it worth for us to hold on to the prices even in a case wherein we are looking at raw mat deflation. I think you also attributed this quarter two-thirds the construct will be say more on volume growth. Just trying to understand your thoughts on price versus volume and incremental gross margin profile.

C. Ramalingegowda: Sure. We always try to balance two opposing forces Ritesh. One is as a market leader we are online and market leader in one of the opening price point and mass prestige categories, we always focus on growing the overall market because that is where the real growth of the category lies, not in taking away shares from other companies because they are also not of a massive scale. Always that focus of growing market and owning that market share is primary. Second one is we don't want to treat mattress as a cash cow that just continues to feed other categories. Every other category has to earn its own gross margin and its own advertising dollars. These two competing forces are always there at any point in time. When the prices went up, we along with the rest of the industry had the force to take it up because the margin was going to be severely impacted. When the prices stabilized briefly, we made some nominal cuts to come back to that. Again, there is no standardized long-term visibility on the raw materials because of the shortages also that I started the call with. So, it's a weekly, monthly observation and reaction game while ensuring that we are just neither fleecing customers unduly nor are we just growing at all costs. That is the focus.

Ritesh Shah: Sure. Just a related question. In the opening remarks, you indicated full impact will be visible in first half. This was with respect to disruption and raw material inflation. Why first half, is it because of the extent of inventory that we hold is higher or something else?

C. Ramalingegowda: Because when the war started, we did have a stockpile of raw material at a lower cost point which we had acquired earlier when the prices were low. As the consumption of that continued to take up all of the existing stock, the new stock kept coming in and the blended rate kept going up. So, that is the reason we said some of the impact would have been seen in Q1. Some of the impact would be seen now in Q2. Hence, H1 total should completely take care of all the impact of the raw material price increase is the way we were looking at it.

Ritesh Shah: If I could just reconcile this, would the average cost of inventory that we hold right now be below or higher than the spot prices?

C. Ramalingegowda: It will be below the spot prices because we acquired based on relationships and existing POS.

Ritesh Shah: I have just a few bookkeeping questions. I think A&P you indicated it was 7.8% of sales for the quarter. For the full year, should we take this number at 7%-8%?

C. Ramalingegowda: Yes, please because the festive season will also come up now so in that range, it should be this.

Ritesh Shah: Rental outgo, I think last time you had indicated Rs. 80 crores for FY26. That number for FY27 would be how much broadly?

Parul Gupta: It will be in similar proportion. There is not much change in terms of our position.

Ritesh Shah: Around Rs. 80 crores?

Parul Gupta: Yes, around Rs. 80-90 crores.

Ritesh Shah: And ESOP expenses?

Parul Gupta: ESOP expenses may be a little lesser number than our earlier guidance. However, we are still figuring out because there are some delays. If you look at the quarter expense, it has only been 6 million. Earlier we gave the guidance of around Rs. 12 crores. It may range anywhere between Rs. 10-12 crores is what we anticipate.

C. Ramalingegowda: Some of the senior people who are joining might join in the second half. So, it will course correct. It won't be as low as this 1st Quarter. But it might not be up to the Rs. 12 crores number that we had initially guided to. It bit might be lower.

Ritesh Shah: How many SKUs or standard SKUs do we have on mattresses?

C. Ramalingegowda: SKU might not be the right way to look at it.

Ritesh Shah: I will just rephrase the question. Basically, if you look at single bed, double bed, king and queen these are 4 larger categories. If we have to bucket it amongst 4 or equivalent, how many categories would we have?

C. Ramalingegowda: It's actually not king, queen. India is a slightly weird country where queen size in South India is different from queen size in North India. But if you roughly take the top selling sizes, maybe about 15-20 sizes would contribute to 50%-60% of the overall mattress sales. That would be the pareto largely Ritesh.

Moderator: Thank you. We take the next question from the line of Akhil Parekh. You may proceed sir.

Akhil Parekh: Thanks for the opportunity and congratulations on good set of numbers. Chaitanya, my first question is on the price and the increase which we do based on the raw material price volatility. Don't you think this probably may dilute the brand perception because if our pricing is going to be purely a function of raw material volatility, the brand perception may go down. Any thoughts on that?

C. Ramalingegowda: As a non-standardized high ticket size item unlike mobile phones or televisions, etc., which have a very standardized set of features and standardized set of MRPs which are very consistent we enjoy the advantage of saying we are non-standardized and we are high ticket size. So, given that traditionally the B2C part of the business has always had MRPs remaining fixed but the selling price which means what selling price it is running on a particular day, historically for the last 11 years we have seen things go up and down up to 3%, 4% every month. So, it can go down, it can go up based on various different parameters from raw material to commission changes on the market places, to advertising and promotion costs increasing, to target P&L that we want to operate on. So, multiple parameters are there. So, the MRP largely remains constant in our industry. Selling price keeps going up and down a tad bit and consumers don't usually have any positive or negative perception about this particular matter. It's just how the industry operates.

Akhil Parekh: Yes, this is helpful. And second, can you quantify how much has been the inflation on polyol and TDI side for 1st Quarter?

C. Ramalingegowda: It has gone so earlier one of the other gentlemen asked us about spot price and the price at which we acquired. That was a very pertinent question because on the spot price side some raw materials went up 140-160% some raw materials went up 70-80%. However, given our relationships with the suppliers we have been able to procure at a bulk, procure at a lower than spot price always. So, although it went up 70%, 80%, 160% we actually saw net inflation only by about 30-40% at various points in time when we acquired it. And that is the reason when we passed on the price to end consumer it was two increases of about 5% each approximately.

Akhil Parekh: And second question on the furniture any timelines you would like to give with regards to our Jumbo stores and of the 165 stores what percentage of stores are furniture plus stores?

C. Ramalingegowda: On the Jumbo stores, the first store, the excavation is nearly complete. The construction is well underway where civil work is currently ongoing. The second store, we have two options and the negotiation, government approvals are both going on. We will be freezing one of them at the earliest. In terms of going live, we target next year June-July for the first store and August-September for the second store, both in Bangalore. But in terms of furniture category growth itself we should definitely see that in July-August-September also the furniture should grow at a faster rate than what it has grown last time and in the festive season also it will usually grow faster.

So, it will come back to mid-teens is our estimate.

Akhil Parekh: That's for full year FY27.

C. Ramalingegowda: For the full year FY27 I would not be in a position to comment right now.

Akhil Parekh: That's all from my side. Thank you so much and best wishes for coming quarter. Thank you.

Moderator: Thank you. We take the next question from the line of Dhiraj from Incred Equities. Please proceed.

Dhiraj: Hello, Ankit and congratulations on a very great set of results. The revenue growth was great. There was a very good volume growth if we compare to the participants in the industry. And also, everyone who were expecting a margin declined due to this whole oil issue, the war issue. But still, we had maintained it. We increased our gross margins. I just wanted to know that, as you said that we will see the full impact of the increase in raw materials in H1. So, how much kind of contraction are we expecting on that front?

C. Ramalingegowda: When you look at the overall H1, it might not be more than 100 to 120 basis points unless something else happens in the rest of August and September in terms of driving up the prices. As of today, it won't be a very large material impact on the contribution margin.

Dhiraj: If we compare it to just Q1 of this quarter, will it be like 100 to 150 basis points lower than Q1 or are we talking about from last year?

C. Ramalingegowda: No, compared to Q1, it might be 100 basis points lower. But if things stabilize, it might actually be a lower than 100 basis point impact also. But you can take it at that range.

Dhiraj: Okay. I mean, if we see what the revenue mix, our margin expansion was also a bit of a mix kind of thing. Mattresses increase and mattresses are a higher margin product for us.

C. Ramalingegowda: That is correct. Furniture has been improving its contribution margin every quarter as a steady line-by-line item. So, even though growth might have been lower, the furniture would have demonstrated steady expansion and improvement in margin. So, both would have contributed.

Dhiraj: Yes, so I mean, it did have a lot of revenue growth, but in terms of margin, it would have contributed quite positively.

C. Ramalingegowda: Yes.

Dhiraj: I also wanted to know that, you know, last year we didn't have a lot of growth in our marketplace because I think we were renegotiating with the market prices, all of those things. And we also didn't do a lot of advertisement last year, which is a key driver for our online sales. So, I just wanted to know that separately, our own channel online sales and marketplace sales, what's the kind of growth that we have witnessed?

C. Ramalingegowda: On the own channel, I think we had 20% YoY growth.

Dhiraj: In our website and app.

C. Ramalingegowda: Website and our COCO store.

Dhiraj: No, I am talking about just online website and app sales.

C. Ramalingegowda: As I had explained earlier, we don't look at it that way because we might acquire a customer online by Google and they might don't make purchase. So, we don't look at it that way. As long as they buy in our own channel, we don't mind. And that number has gone up by 2.3% in absolute numbers, which means last year it was 70%, now it is 72%. And in terms of YoY it is a 20% growth.

Dhiraj: So, if I can just get, you know, just total online sales, that is something that you track, that we are getting sales from our marketplaces and those things.

C. Ramalingegowda: Yes, total online sales has 7% growth.

Dhiraj: Okay, sure. I will just join the queue. Thank you so much.

Moderator: Thank you. We take the next question from the line of Siddharth. From I Thought Wealth. Please proceed.

Siddharth: Hi. My question is regarding your corporate overhead. What percentage of your top line will be corporate overhead at present?

C. Ramalingegowda: About 7 to 8%.

Siddharth: And like, where do you see this settling as the company scales?

C. Ramalingegowda: The advantage of having this full stack ownership of design, engineering, manufacturing is the fact that operating leverage potential is very, very high, as demonstrated even last year. This year, we are in the process of bulking up our management bandwidth with a lot of senior people. As the categories have grown in size, channels have grown in size, we have had to make a conscious choice to say the company needs more senior professionals who are very good experts in their businesses, in their functional areas. So, this year, absolute numbers, it might be a higher number compared to last year. But overall, percentage wise, we should always remain in the same range at steady state. In fact, as growth of the Jumbo stores and others come up, it might be even lower as a percentage. It might go down from the current 7% to 8%.

Moderator: It seems like the participant line has been dropped. We will just move with the next participant. Before we proceed, participants, in order to ensure that the management is able to address questions from all the participants, please limit your question to two per participant. We take the next question from the line of Deekshant Gupta from Geojit PMS. Please proceed.

Deekshant Gupta: Yes. Hi. Good morning, sir. And congratulations for the good set of results. I'm a little new to this company. So, as a percentage of cost of goods, how much would be TDI and polyol?

C. Ramalingegowda: I think of the mattress selling price, TDI and polyol should be about 55%.

Parul Gupta: So, of the total raw material, which goes into, around 60%-65% contributed by the base polyol and the TDI.

C. Ramalingegowda: Of the cost of raw material for mattress.

Deekshant Gupta: And coming to the EBITDA margin. So, it's 14%-15% margin sustainable for this year. Coming two to three years, 16%-17% margin being kind of sustainable.

C. Ramalingegowda: Firstly, those are reported EBITDA. I think our operational EBITDA would be somewhere around 9% for this quarter. But we have always guided that last year we were at about 7.5% as a percentage terms. We should aspire for the same number this year given the huge volatility in all of the things. Channels, competition, raw material prices. Anything on top of that is icing on the cake because our focus should be to deliver closer to 20%-25% growth. So, whatever it takes in that direction, we will be very focused on investing that money back This quarter has been good, landing at about 9%. Steady state is where in the ballpark that you are talking about, we have also guided the same. But that would be two years, three years away where all these experiments of rapid growth, investments, all of that come to fruition.

Deekshant Gupta: Okay. And the seasonality that you experienced is Q4 generally weaker. I understand that Q3 is the festive season so it might be stronger. So, why is Q4 particularly weaker?

C. Ramalingegowda: Sorry, your voice is breaking. But I am guessing your question is on the seasonality. Our Q3 is the best. Q4 is the second best overall quarter in a financial year. The same has panned out even this year.

Deekshant Gupta: Okay. And just last one from my side. So, what would be an organized mattress industry and how is B2B of the revenue?

C. Ramalingegowda: Given that there are no structured industry reports, we don't know the actual market share. But our estimates say that in the organized market, we should be closer to 10% market share. These are rough estimates based on our grounds of analysis, not on any industry report. What was the second question?

Deekshant Gupta: B2B as a percentage of revenue.

C. Ramalingegowda: So, we don't do B2B foam as much. It is a very small category as of now growing steadily. But B2B finished goods, which is selling of mattresses and other furniture to businesses such as co-living spaces, hotels, apartments, that is a small and steady couple of percentage contribution to the business, maybe 2-3%.

Deekshant Gupta: Okay, understood. Thank you so much.

Moderator: Thank you. We take the next question from the line of Dheeresh from Whiteoak. Please proceed.

Dheeresh: Thank you for the opportunity and congratulations, Chaitanya and Ankit, for good performance in a volatile operating environment. Chaitanya, just based on your answers to some of the questions, I just want some clarification. So, you mentioned that there is a raw material cost push that you are seeing in the Q2 FY27 as well. But then you also said that you have taken some minor price correction in July. So, those two didn't sort of add up for me. And then you said, I think, about 100 bps gross margin compression. So, is the competitive intensity higher so that you have to take price cuts? Why would you take price cuts if you are already seeing cost push higher in Q2?

C. Ramalingegowda: Thank you for the question, Dheeresh. It was all a sequencing issue. So, once the initial peace treaty was announced and there was stability, the prices did come down briefly. That is when we and the rest of the industry largely did that small correction discussion. And I think, individually, people have taken whatever corrections that could be done. However, immediately after that, the flare-up happened again with more attacks, etc. And again, Strait of Hormuz being closed, opened, etc. More importantly, with all of these, the shortage itself happened in the industry. So, the raw material suppliers finally said, even if you pay a higher price, there is a shortage. So, that is where we explained that we again had to ensure that we are buying at a higher price point because supply disruption cannot be tolerated. And for the next few weeks, we are under no danger. But if this continues indefinitely, we will have to see how it pans out. Hence, I said, whatever impact of the raw material prices being slowly going up, which we purchased during March, April, May, that whole impact will come now in July, August, September on the cost side. Because now we are essentially operating on the high-cost raw materials that we have been using.

Dheeresh: Understood. And that you quantified as about 100 bps compression on the gross margin.

C. Ramalingegowda: Yes.

Dheeresh: From Q1 FY27 level. Understood. Second question, Chaitanya. In the stores that you opened last year, about 40-odd COCO stores, if you can just give all of them a broken even, what was the median month to break even? And then for stores which are, let's say, pre-26 cohort or 25 cohort, how are they growing?

C. Ramalingegowda: So, for the last year, early part of last year, they are the ones who are completing one year now. So, in those kind of stores which were, firstly, of all the stores that were opened, largely, they were mini-stores, the mattress-first stores. And only a small number, which was replacement stores, were the mega-stores, which had furniture. And of the overall current number of stores, 105-106 are mega-stores, which have furniture. The remaining 60-odd stores are mini-stores, which are bedding-first. Given that context, the payback period is now somewhere around 10-11 months, from what we saw. But it's still very early because mini-stores itself, the ramp-up has happened now. It is definitely longer than the original mega-stores, when we had the advantage of selling both mattresses and furniture. It is about 2-3 months longer than that. But when you look at the catchment area, that catchment area, which includes online and offline, that growth has remained at about 2.7x-3x. So, if a town was at Rs. 3, it is now at Rs.10 per month.

Dheeresh: Understood. This is helpful. Thank you so much and all the best. Thank you.

Moderator: Thank you. We take the next question from the line of Bala Murali Krishna from Oman. Investment Advisors. Please proceed.

Bala Murali Krishna: Good morning. Where do we see our bank to be in the next 3-5 years down the line? How do we want to gain market share and how much we would like to be comfortable with the market share?

C. Ramalingegowda: I am sorry, your voice is not clear, but from what I could hear, you are asking about the market share growth plan for mattresses over the 3-5 year plan. Is that right?

Bala Murali Krishna: Yes.

C. Ramalingegowda: We do not operate on target market share, but our goal is that every year, we should be increasing the market share in the organized market. And more importantly, every year, we should be growing the overall organized market share by itself and reducing the unorganized market share. So, that is the growth path. We hope that over the next 3-5 years, we will at least add 4-5 percentage points to our organized market share. Like I said, that is not going to be growth at all costs. That is going to be a balanced growth plus profitability maintaining kind of an approach, mainly driven through omni-channel expansion, not just one particular category or one particular channel.

Bala Murali Krishna: Okay. In the 72% of the omni-channel sales, how much could be from the offline stores and how much could be from the website? And also, one more thing on the margins segment wise. So, how could be mattress segment, what could be the overall margins on the furnitures and furnishing if you could share that for me?

C. Ramalingegowda: So, of the overall own channel share, historically, it was always split evenly between online sales on our B2C website and COCO stores that are owned by the But, in the recent past, as more and more premiumization has happened, it has slightly skewed towards our COCO stores. But, own channel as an overall has grown steadily.

Bala Murali Krishna: Segment wise margin, how are the margins?

C. Ramalingegowda: So, segment-level margins, historically, we have not shared. But mattress is the most profitable, most mature, followed by furnishing and decor and followed by furniture.

Bala Murali Krishna: Okay. And, I think this year, we have some aggressive store expansion plans compared to last year. I hope it will continue even for the next 2-3 years. So, with this kind of good pace of expansion plans, how do we see the turnover shaping up? Do you see it will catch up like the percentage of stores that are expanding by 40%-50%? So, maybe the revenue could also take a look into that. How do you see that and what is the thought process behind this aggressive expansion of stores?

C. Ramalingegowda: The thought process behind expansion of stores is that we had grown to, last year, nearly 900 crores of mattress revenue by having an offline presence in only a few tens of cities, while India is a massive country and all of those places we were only serving through online. So, the strategy is to be as far and wide as possible in the mattress category because of our lean production and supply chain capability, where our mattresses go as a role-packed mattress. And hence, the supply chain cost is very low, enabling us to serve even far and remote places at a very efficient cost. Given that, we decided that we have to be present offline and another encouraging sign was that when we open up an offline store in a small town, like I explained earlier, the whole town goes up about 2.7x to 3x on a monthly run rate basis, not even a temporary blip, but a steady 3x growth, which means that town becomes online plus offline, 3x of the original size. So, this gave us confidence to open up mattress-first stores in more and more towns and this year we have targeted at least 80 stores to be opened, next year a similar number. Beyond that, we have not provided any guidance. These two data points provide us confidence that being present in as many towns as possible, like a traditional company, would be helpful, but with a major difference, which is our stores are asset-light and carry only a small amount of display inventory. Fulfillment is still central. So, these stores carry barely about 4 to 5 lakh rupees of inventory and hence they pay back very fast.

Bala Murali Krishna: So, on the raw material cost front, maybe you would have seen this raw material inflation earlier also. So, when do you pass this inflation completely to the customer to protect your margins? How long it will take and what will happen if the raw material cost comes down later on? Then also, maybe you will take some decrease in tonnage, or you will continue to get the gross margin.

C. Ramalingegowda: So, as a D2C company largely, where we don't have to go and change selling price in a thousand places, we are able to take these decisions overnight, but we don't usually pass on increases or decreases very casually. When there is an increase, we try to bear it on our own. If it is a brief, one-week, two-week disruption, we don't bother the customer. We absorb it and continue growing because overall long-term growth is more important. If some price increase of the raw materials is very sustained due to a crisis, last time it happened was during post-COVID-2021, there was a severe shortage of raw material, and its prices went up a lot. During that time, we had to pass it on to the consumer. Then we enjoyed a very stable period for about 3-4 years. Now, it has again sustained increase because of West Asia crisis. So, again, we had to wait for 4-6 weeks, realize that it's not changing, then we did the price increases. Similarly, on the decrease, because we would love to continue to grow the overall market, we see if it's a temporary price decrease of the raw materials or a sustained structural decrease. If it's a structural decrease, we do end up playing with the product portfolio mix, which means we might provide a longer bigger discount in opening price point, lesser discount in premium, but operate on an overall portfolio of mattress to be at a target and then continue to focus on growing the market. So, that is the balance we usually play. And because we are digital, because we are able to make these changes very quickly, we decide that on a particular day at midnight, changes will happen and the systems will implement it.

So, it is not a long, drawn-out, 6-week process to increase, 6-week process to decrease. That is the advantage of being .D2C

Bala Murali Krishna: I think in last call, you mentioned that you are going to take price hikes in April, May and also in June, something like that. So, I think there will be no further price hikes from this month onwards. Is it so?

C. Ramalingegowda: Barring any unforeseen increases, we will not be touching the prices as of now.

Bala Murali Krishna: That's all. Thank you. Thank you.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for the day. We would now like to hand the conference over to the Management for closing comments. Over to you, sir.

C. Ramalingegowda: Thank you all for investing time. As always, to learn about our business and our update, it means a lot that you all are interested and you want to learn. Please reach out to us and our IR team is SGA. Directly us or through them, happy to provide clarifications. We hope to see you next quarter also.

Moderator: Thank you. On behalf of 360 ONE Capital Market Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.